

Reaction to the alternative budget proposal made by the Alliance to Protect the Public Good.

The following information is a reaction by the administration of Milwaukee County Executive Scott Walker to the alternative budget proposal presented on September 20, 2006.

First, the County Executive appreciates the work put into the budget proposal. Many of the ideas included are items previously discussed by the County Executive or items he is considering for the 2007 county budget. He appreciates as much input on the process as possible from all areas of the county.

The following comments review, point-by-point, each of the recommendations made in the budget proposal and the benefits or concerns associated with the item. Hopefully, these comments will help put the report in context with what is possible during the debate on the 2007 budget.

Before reviewing the proposal, point-by-point, it is important to remember that the projected shortfall for the 2007 county budget is \$86 million.

Short-Term Proposals

Surplus: State law requires the county to use the \$4.7 million surplus from 2005 as the starting point for the 2007 budget. Any surplus generated in the 2006 budget can (per state law) only be used for the 2008 budget.

Pensions: The actuarial report for the pension system calls for a \$59 million contribution in 2007. Without an alternative to the retirement system, underfunding the contribution by \$19 million may lead to a downgrade in the bond rating for the county. That would lead to higher costs for borrowing in the future.

Other post-employment benefits (OPEB): The original projection of \$29 million came from the rules set by the Governmental Accounting Standards Board (GASB). Some reasonable changes in the various enterprise funds within the county may lead to a reduction in that estimate for the 2007 budget.

Health Care: Some have suggested that the county embrace a plan similar to the City of Milwaukee but this would actually be more expensive for the county. Conversely, if AFSCME District Council 48 accepted the offer made by Milwaukee County, health care costs would drop by \$5.4 million in 2006 and those savings would continue into the 2007 budget. All of the other collective bargaining units accepted the offer from the county and the county saw savings in health care costs in those areas.

The observations made in the GMC report have some merit, but they cannot be unilaterally implemented by the administration. The administration has been working on enacting a health care plan where employees pay the additional costs of any plan higher than the base (employees would still contribute to the current premium at the base level).

Changes in health care benefits, however, cannot be made unilaterally by the county but require ratification by the unions through the contract process.

Property Tax: The proposal by the Alliance calls for the maximum property tax levy increase allowed under current state law. The message sent from that kind of a raise in property taxes would surely send more people and more jobs out of the county. Milwaukee County experienced a dramatic decline in population from 1992 to 2002. At the same time, the county tax levy increased 52%.

General Assistance Medical Program (GAMP): In 2005, the administration brokered a deal to get health care providers in Milwaukee County to increase their support to the county. In return, the county made a two-year commitment to GAMP. Dramatically altering the funding system for GAMP may dismantle the system.

Without GAMP, low-income patients will forgo preventative and basic health care through clients and local providers and resort to high cost emergency room visits. This will increase rising health care costs in the region.

Increased Efficiencies: The administration is always open to ways to become more efficient. The budget item suggests an overall savings of \$1.5 million but does not identify savings by suggestion so it is difficult to validate the accuracy of the potential savings.

The alternative budget projects potential savings of \$62 million. The projected shortfall for the 2007 budget is \$86 million. In other words, the alternative budget is \$24 million short of balancing the budget for 2007.

Parks: A proposal for an elected Park District would not go into effect into the start of 2008. Legislative action would be required in early 2007 – long after the 2007 county budget is enacted.

Long-Term Proposals

Mass Transit: The county continues to work with the City of Milwaukee, surrounding counties and business and civic leaders on improvements to mass transit in the region.

Sales Tax: The report correctly notes that an increase requires approval from the state government. Raising the sales tax would give Milwaukee County the highest tax in the state (by far) and would put it a full cent or more above several of the neighboring counties.

Furthermore, raising the sales tax without making adjustments to the benefit and retirement structure to county government will only provide temporary relief, as those costs will quickly eat up all new revenues.

State Aid: The administration certainly believes that unfunded or underfunded mandates are a major challenge for county government. State aid for Milwaukee County fell dramatically over the past four years.

In fact, many of the staffing reductions suggested by departments are direct results of the decline in financial support from the state. The reduction in staff in the Economic Support Division is a good example as Income Maintenance funds from the state have declined over the past four years.

Both the Governor and the members of the State Legislature signed off on increased court related fees in the past two biennial budgets. Still, the additional funds were not shared with county governments. These are just a few of the examples about how the problem is getting worse.

Coordination of Services: Currently many of the information technology (IT) components of the city and county are consolidated through one source (including hosting of the Milwaukee.gov website). In addition, the county handles calls for Racine County child support enforcement. Economic Development projects are partially managed through a partnership with Racine and Waukesha counties.

Still, there are many more areas that can benefit from the coordination of services.

Employee Benefits Methodology: How benefits are calculated does nothing to balance the budget. The costs of providing benefits include both active employees and retirees. Moving it from one column to another column does not reduce the cost to the county.

Pension Bonds: The best use of Pension Obligation Bonds (POBs) requires a change in state law to allow them to be issued for 30 years. To avoid unnecessary risk to the county, all of the savings from the use of POBs should not be used solely to balance the 2007 budget. A significant portion should be put into some kind of a stabilization fund to limit future risks.

Under funding the 2007 pension contribution, however, while grabbing the savings from the use of POBs will cause major problems for the county. Doing both would not be sound fiscal policy.

Sale of Property: The administration agrees with the proposal to sell or lease land within the control of the county. Previous attempts to sell land have faced opposition from some on the county board and it may require a new look at the issue.